

CITY OF ARNOLDS PARK

Independent Auditor's Report
Financial Statements,
Supplemental Information
and Findings

JUNE 30, 2004

DAVID A. MASKE
Certified Public Accountant
Spencer, Iowa

CITY OF ARNOLDS PARK

TABLE OF CONTENTS

		<u>Page</u>
Officials		1
Independent Auditor's Report		2
Management's Discussion and Analysis.....		3-5
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	6
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and		
Changes in Cash Balances	B	7
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and		
Changes in Cash Balances	C	8
Notes to Financial Statements.....		9-11
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and		
Changes in Balances - Budget and Actual (Cash Basis) – All		
Governmental Funds and Proprietary Funds		12
Notes to Required Supplementary Information – Budgetary Reporting.....		13
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in		
Cash Balances - Nonmajor Governmental Funds	1	14
Schedule of Indebtedness.....	2	15
Bond and Note Maturities.....	3	16
Schedule of Receipts by Source and Disbursements by Function		
– All Governmental Funds.....	4	17
Combining Schedule of Cash Receipts, Disbursements and Changes in		
Cash Balances - General Fund.....	5	18-21
Combining Schedule of Cash Receipts, Disbursements and Changes in		
Cash Balances – Capital Projects Fund.....	6	22-23
Independent Auditor's Report on Compliance and on Internal		
Control over Financial Reporting.....		24
Schedule of Findings		25

CITY OF ARNOLDS PARK

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before election)		
Mike Mitchell	Mayor	December 31, 2003
Susan Munsen	Mayor Pro-Tem	December 31, 2003
Garnett Anderson	Council Member	Resigned September 1, 2003
Mitchell Watters (Special Election)	Council Member	December 31, 2005
Mike Koppert	Council Member	December 31, 2005
James D. Jensen	Council Member	December 31, 2003
Jason Christensen	Council Member	December 31, 2003
(After election)		
Mike Mitchell	Mayor	December 31, 2005
Susan Munsen	Mayor Pro-Tem	December 31, 2007
Mitchell Watters	Council Member	December 31, 2005
Mike Koppert	Council Member	December 31, 2005
James D. Jensen	Council Member	December 31, 2007
Jason Christensen	Council Member	December 31, 2007
Ron Walker	Clerk Administrator	December 31, 2004
Doug Noble	City Treasurer	December 31, 2004
Harold White	City Attorney	December 31, 2004

DAVID A. MASKE

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits, contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Arnolds Park, as of June 30, 2004 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 8 during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my reports dated November 15, 2004 on my consideration of the City of Arnolds Park's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 5 and 12 are not required parts of the basic financial statements, but are supplementary information required by the governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Arnolds Park's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applies in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

DAVID A. MASKE
Certified Public Accountant

November 15, 2004
Spencer, Iowa

CITY OF ARNOLDS PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

The City of Arnolds Park provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City-wide activities decreased 56.8%, or approximately \$3,252,300 from fiscal 2003 to fiscal 2004.
- Disbursements decreased 37.3%, or approximately \$2,053,500 from fiscal 2003 to fiscal 2004.
- The City's total cash basis net assets decreased 29.2%, or approximately \$971,100 from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's Financial Statement consists of a Statement of Receipts, Disbursements and Cash Balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Receipts, Disbursements and Changes in Cash Balances reports information which helps answer this question.

The Statement of Receipts, Disbursements and Changes in Cash Balances presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water Fund and Sewer Fund considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$3,282,447 to \$2,304,129. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Receipts and Transfers:		
General Receipts		
Property Tax	\$ 515,415	\$ 494,669
Special Assessments	62,830	71,639
Tax Increment Financing Collections	574,591	581,769
Local Option Sales Tax	180,518	184,630
Hotel - Motel Tax	146,720	140,485
Intergovernmental	134,136	148,153
Use of Money and Property	37,587	83,072
Licenses and Permits	7,971	5,877
Other General Receipts	294,707	394,214
Bond Proceeds	-0-	3,116,149
Charges for Services	162,807	152,629
Total Receipts and Transfers	<u>\$ 2,117,282</u>	<u>\$ 5,373,286</u>
Disbursements:		
Public Safety	\$ 528,822	\$ 368,883
Public Works	334,328	368,139
Culture and Recreation	137,317	97,155
Community and Economic Development	116,042	96,455
General Government	309,483	318,508
Debt Service	530,304	1,520,028
Capital Projects	1,139,304	2,373,925
Total Disbursements	<u>\$ 3,095,600</u>	<u>\$ 5,143,093</u>
Increase (Decrease) in Cash Basis Net Assets	\$ (978,318)	\$ 230,193
Cash Basis Net Assets - Beginning of Year	<u>3,282,447</u>	<u>3,052,254</u>
Cash Basis Net Assets - End of Year	<u>\$ 2,304,129</u>	<u>\$ 3,282,447</u>

Changes in Cash Basis Net Assets of Business Type Activities

Receipts:		
Operating receipts:		
Water	\$ 247,893	\$ 244,336
Sewer	113,102	112,996
Total	<u>\$ 360,995</u>	<u>\$ 357,332</u>
Disbursements:		
Operating Disbursements:		
Water	\$ 240,012	\$ 243,843
Sewer	113,766	115,913
Total	<u>\$ 353,778</u>	<u>\$ 359,756</u>
Net Change in Cash Balance	\$ 7,217	\$ (2,424)
Cash Basis Net Assets - Beginning of Year	<u>42,189</u>	<u>44,613</u>
Cash Basis Net Assets - End of Year	<u>\$ 49,406</u>	<u>\$ 42,189</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Arnolds Park completed the year, its governmental funds reported a combined fund balance of \$2,304,129, a decrease of \$978,318 below last year's total of \$3,282,447. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$9,176 from the prior year to \$328,662.
- The Road Use Tax Fund cash balance decreased by \$2,438 to \$18,594 during the fiscal year.
- The Urban Renewal Tax Increment Fund cash balance decreased by \$57,374 to \$(10,530) during the year.
- The Debt Service Fund cash balance increased by \$43,685 to \$64,082 during the year.
- The Capital Projects Fund cash balance decreased \$ 958,885 to \$1,900,696 during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$7,881 to \$45,935.
- The Sewer Fund cash balance decreased by \$664 to \$3,471.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

A comparison of the City's debt at June 30, 2004 to June 30, 2003 follows:

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
G.O. Bonds and Notes	\$ 3,933,000	\$ 4,114,000
TIF Notes	<u>2,200,000</u>	<u>2,300,000</u>
Total	<u>\$ 6,133,000</u>	<u>\$ 6,414,000</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ron Walker, City Clerk/Administrator, Arnolds Park, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF ARNOLDS PARK
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2004

		-----Program Receipts-----			Net (Disbursements) Receipts and Changes --- in Cash Basis Net Assets ---		
			Operating Grants, Contributions, and Restricted Interest				
	Disbursements	Charges for Services			Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental Activities:							
Public Safety	\$ 528,822	\$ 16,013	\$ 128,238	\$ (384,571)	\$ -0-	\$ (384,571)	
Public Works	334,328	122,350	96,780	(115,198)	-0-	(115,198)	
Culture and Recreation	137,317	40,457	17,696	(79,164)	-0-	(79,164)	
Community and Economic Development	116,042	-0-	17,879	(98,163)	-0-	(98,163)	
General Government	309,483	-0-	-0-	(309,483)	-0-	(309,483)	
Debt Service	530,304	-0-	-0-	(530,304)	-0-	(530,304)	
Capital Projects	1,139,304	55,391	-0-	(1,083,913)	-0-	(1,083,913)	
Total Governmental Activities	<u>\$ 3,095,600</u>	<u>\$ 234,211</u>	<u>\$ 260,593</u>	<u>\$ (2,600,796)</u>	<u>\$ -0-</u>	<u>\$ (2,600,796)</u>	
Business Type Activities:							
Water	\$ 240,012	\$ 247,893	\$ -0-	\$ -0-	\$ 7,881	\$ 7,881	
Sewer	113,766	113,102	-0-	-0-	(664)	(664)	
Total Business Type Activities	<u>\$ 353,778</u>	<u>\$ 360,995</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,217</u>	<u>\$ 7,217</u>	
TOTAL	<u>\$ 3,449,378</u>	<u>\$ 595,206</u>	<u>\$ 260,593</u>	<u>\$ (2,600,796)</u>	<u>\$ 7,217</u>	<u>\$ (2,593,579)</u>	
General Receipts:							
Property Tax Levied for:							
General Purposes				\$ 515,415	\$ -0-	\$ 515,415	
Tax Increment Financing				574,591	-0-	574,591	
Debt Service				62,830	-0-	62,830	
Local Option Sales Tax				180,518	-0-	180,518	
Hotel-Motel Tax				146,720	-0-	146,720	
Grants and Contributions Not Restricted to Specific Purpose				19,660	-0-	19,660	
Unrestricted Interest on Investments				37,587	-0-	37,587	
Miscellaneous				85,157	-0-	85,157	
Transfers				-0-	-0-	-0-	
Total General Receipts and Transfers				<u>\$ 1,622,478</u>	<u>\$ -0-</u>	<u>\$ 1,622,478</u>	
Change in Cash Basis Net Assets				\$ (978,318)	\$ 7,217	\$ (971,101)	
Cash Basis Net Assets – Beginning of Year				<u>3,282,447</u>	<u>42,189</u>	<u>3,324,636</u>	
Cash Basis Net Assets – End of Year				<u>\$ 2,304,129</u>	<u>\$ 49,406</u>	<u>\$ 2,353,535</u>	
Cash Basis Net Assets:							
Restricted:							
Streets				\$ 18,594	\$ -0-	\$ 18,594	
Urban Renewal Purpose				(10,530)	-0-	(10,530)	
Capital Projects				1,900,696	-0-	1,900,696	
Debt Service				64,082	-0-	64,082	
Unrestricted				331,287	49,406	380,693	
Total Cash Basis Net Assets				<u>\$ 2,304,129</u>	<u>\$ 49,406</u>	<u>\$ 2,353,535</u>	

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	----- <u>Special Revenue</u> -----					
	<u>General</u>	<u>Road Use</u> <u>Tax</u>	<u>Urban Renewal</u> <u>Tax Increment</u>	<u>Debt</u> <u>Service</u>	<u>Other Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
Receipts:						
Property Tax	\$ 515,415	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 515,415
Tax Increment Financing Collections	-0-	-0-	574,591	-0-	-0-	574,591
Other City Tax	146,720	-0-	-0-	-0-	180,518	327,238
Licenses and Permits	7,971	-0-	-0-	-0-	-0-	7,971
Use of Money and Property	37,587	-0-	-0-	-0-	-0-	37,587
Intergovernmental	37,356	96,780	-0-	-0-	-0-	134,136
Charges for Services	162,807	-0-	-0-	-0-	-0-	162,807
Special Assessments	-0-	-0-	-0-	62,830	-0-	62,830
Miscellaneous	239,316	-0-	-0-	-0-	55,391	294,707
Total Receipts	<u>\$ 1,147,172</u>	<u>\$ 96,780</u>	<u>\$ 574,591</u>	<u>\$ 62,830</u>	<u>\$ 235,909</u>	<u>\$ 2,117,282</u>
Disbursements:						
Operating:						
Public Safety	\$ 528,822	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 528,822
Public Works	235,110	99,218	-0-	-0-	-0-	334,328
Culture and Recreation	137,317	-0-	-0-	-0-	-0-	137,317
Community and Economic Development	116,042	-0-	-0-	-0-	-0-	116,042
General Government	309,483	-0-	-0-	-0-	-0-	309,483
Debt Service	-0-	-0-	-0-	530,304	-0-	530,304
Capital Projects	-0-	-0-	-0-	-0-	1,139,304	1,139,304
Total Disbursements	<u>\$ 1,326,774</u>	<u>\$ 99,218</u>	<u>\$ -0-</u>	<u>\$ 530,304</u>	<u>\$ 1,139,304</u>	<u>\$ 3,095,600</u>
Excess (Deficiency) of Receipts over Disbursements	\$ (179,602)	\$ (2,438)	\$ 574,591	\$ (467,474)	\$ (903,395)	\$ (978,318)
Other Financing Sources (Uses):						
Operating Transfers In	\$ 188,778	\$ -0-	\$ -0-	\$ 511,159	\$ -0-	\$ 699,937
Operating Transfers (Out)	-0-	-0-	(631,965)	-0-	(67,972)	(699,937)
Total Other Financing Sources (Uses)	<u>\$ 188,778</u>	<u>\$ -0-</u>	<u>\$ (631,965)</u>	<u>\$ 511,159</u>	<u>\$ (67,972)</u>	<u>\$ -0-</u>
Net Change in Cash Balances	\$ 9,176	\$ (2,438)	\$ (57,374)	\$ 43,685	\$ (971,367)	\$ (978,318)
Cash Balances – Beginning of Year	319,486	21,032	46,844	20,397	2,874,688	3,282,447
Cash Balances – End of Year	<u>\$ 328,662</u>	<u>\$ 18,594</u>	<u>\$ (10,530)</u>	<u>\$ 64,082</u>	<u>\$ 1,903,321</u>	<u>\$ 2,304,129</u>
Cash Basis Fund Balances:						
Reserved:						
Debt Service	\$ -0-	\$ -0-	\$ -0-	\$ 64,082	\$ -0-	\$ 64,082
Unreserved:						
General Fund	328,662	-0-	-0-	-0-	2,625	331,287
Special Revenue Fund	-0-	18,594	(10,530)	-0-	-0-	8,064
Capital Projects Fund	-0-	-0-	-0-	-0-	1,900,696	1,900,696
Total Cash Basis Fund Balances	<u>\$ 328,662</u>	<u>\$ 18,594</u>	<u>\$ (10,530)</u>	<u>\$ 64,082</u>	<u>\$ 1,903,321</u>	<u>\$ 2,304,129</u>

See notes to financial statements.

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Receipts:			
Charges for Services.....	\$ 231,409	\$ 111,070	\$ 342,479
Sales Tax.....	9,444	-0-	9,444
Deposits.....	2,562	-0-	2,562
Miscellaneous.....	4,478	2,032	6,510
Total Operating Receipts	<u>\$ 247,893</u>	<u>\$ 113,102</u>	<u>\$ 360,995</u>
Operating Disbursements:			
Business Type Activities:			
Personal Services.....	\$ 38,200	\$ -0-	\$ 38,200
Contractual Services.....	7,612	113,512	121,124
Services and Commodities.....	167,210	254	167,464
Sales Tax.....	26,065	-0-	26,065
Deposit Refund.....	925	-0-	925
Total Operating Disbursements	<u>\$ 240,012</u>	<u>\$ 113,766</u>	<u>\$ 353,778</u>
Excess (Deficiency) of Operating Receipts Over Operating Disbursements	\$ 7,881	\$ (664)	\$ 7,217
Cash Balances – Beginning of Year	<u>38,054</u>	<u>4,135</u>	<u>42,189</u>
Cash Balances – End of Year	<u>\$ 45,935</u>	<u>\$ 3,471</u>	<u>\$ 49,406</u>
Cash Basis Fund Balances:			
Unreserved.....	<u>\$ 45,935</u>	<u>\$ 3,471</u>	<u>\$ 49,406</u>

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Arnolds Park is a political subdivision of the State of Iowa located in Dickinson County. It operates under the Home Rule provisions of the Constitution of Iowa and under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Arnolds Park has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Arnolds Park has no component units.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer.

C. Measurement Focus and Basis of Accounting

The City of Arnolds Park maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government, debt service, and business type activities functions.

NOTE 2 - DEPOSITS AND POOLED INVESTMENTS:

The City's deposits at June 30, 2004 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2004; however the City's time deposits were as follows:

Certificates of Deposits	\$ 664,995
Savings Deposit	\$ 1,636,963

NOTE 3 - BONDS AND NOTES PAYABLE:

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year</u> <u>Ending</u> <u>June 30</u>	<u>General Obligation</u> <u>Bonds</u>		<u>Tax Increment</u> <u>Financing Bond</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 210,000	\$ 182,575	\$ 60,000	\$ 78,405	\$ 270,000	\$ 260,980
2006	238,000	173,650	65,000	77,505	303,000	251,155
2007	275,000	165,031	80,000	76,367	355,000	241,398
2008	265,000	156,103	90,000	74,767	355,000	230,870
2009	265,000	146,108	110,000	72,697	375,000	218,805
2010	320,000	135,688	75,000	69,782	395,000	205,470
2011	280,000	122,206	95,000	67,532	375,000	189,738
2012	180,000	110,331	105,000	64,492	285,000	174,823
2013	200,000	101,646	80,000	61,027	280,000	162,673
2014	200,000	91,346	95,000	58,307	295,000	149,653
2015	200,000	80,946	110,000	54,982	310,000	135,928
2016	250,000	70,446	75,000	51,022	325,000	121,468
2017	250,000	57,195	90,000	48,210	340,000	105,405
2018	250,000	43,820	110,000	44,700	360,000	88,520
2019	275,000	30,250	100,000	40,370	375,000	70,620
2020	275,000	15,125	120,000	36,320	395,000	51,445
2021	-0-	-0-	420,000	31,400	420,000	31,400
2022	-0-	-0-	320,000	13,760	320,000	13,760
	<u>\$ 3,933,000</u>	<u>\$ 1,682,466</u>	<u>\$ 2,200,000</u>	<u>\$ 1,021,645</u>	<u>\$ 6,133,000</u>	<u>\$ 2,704,111</u>

NOTE 4 - PENSION AND RETIREMENT BENEFITS:

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2004, 2003, and 2002, were \$32,873, \$30,192, and \$29,874 respectively, equal to the required contribution for the year.

NOTE 5 – COMPENSATED ABSENCES:

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation.....	\$ 8,925

This liability has been computed based on rates of pay as of June 30, 2004.

As sick leave is not payable upon termination, retirement or death, the minimum accumulated sick leave is not presented as part of these financial statements.

NOTE 6 – RISK MANAGEMENT:

The City of Arnolds Park is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – INTERFUND TRANSFERS:

The detail of interfund transfers for the year ended June 30, 2004 are as follows:

<u>Transfers to:</u>	<u>Transfers From:</u>	<u>Amount</u>
General	Local Option Sales Tax	\$ 193,000
Debt Service	Urban Renewal – Tax Increment	\$ 511,159
Capital Projects	General	\$ 4,222
Capital Projects	Urban Renewal – Tax Increment	\$ 120,806

NOTE 8 – ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities.

NOTE 9 – DEFICIT FUND BALANCE:

The City's urban renewal tax increment fund reflected a deficit balance at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARNOLDS PARK
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Governmental</u> <u>Funds</u> <u>Actual</u>	<u>Proprietary</u> <u>Funds</u> <u>Actual</u>	<u>Less Funds</u> <u>Not Required To</u> <u>Be Budgeted</u>	<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to</u> <u>Net</u> <u>Variance</u>
					<u>Original</u>	<u>Final</u>	
Receipts:							
Property Tax	\$ 515,415	\$ -0-	\$ -0-	\$ 515,415	\$ 492,849	\$ 492,849	\$ 22,566
Tax Increment Financing Collections	574,591	-0-	-0-	574,591	595,000	595,000	(20,409)
Other City Tax.....	327,238	-0-	-0-	327,238	322,584	340,584	(13,346)
Licenses and Permits	7,971	-0-	-0-	7,971	4,100	4,100	3,871
Use of Money and Property.....	37,587	-0-	-0-	37,587	500	500	37,087
Intergovernmental	134,136	-0-	-0-	134,136	2,133,085	2,133,085	(1,998,949)
Charges for Services	162,807	360,995	-0-	523,802	499,000	506,000	17,802
Special Assessments.....	62,830	-0-	-0-	62,830	38,020	38,020	24,810
Miscellaneous	294,707	-0-	-0-	294,707	148,798	298,798	(4,091)
Total Receipts	<u>\$ 2,117,282</u>	<u>\$ 360,995</u>	<u>\$ -0-</u>	<u>\$ 2,478,277</u>	<u>\$ 4,233,936</u>	<u>\$ 4,408,936</u>	<u>\$ (1,930,659)</u>
Disbursements:							
Public Safety	\$ 528,822	\$ -0-	\$ -0-	\$ 528,822	\$ 391,520	\$ 566,520	\$ 37,698
Public Works.....	334,328	-0-	-0-	334,328	332,124	332,124	(2,204)
Culture and Recreation	137,317	-0-	-0-	137,317	182,174	182,174	44,857
Community and Economic Development	116,042	0-	-0-	116,042	107,432	107,432	(8,610)
General Government	309,483	-0-	-0-	309,483	308,113	308,113	(1,370)
Capital Projects.....	1,139,304	-0-	-0-	1,139,304	2,205,515	2,205,515	1,066,211
Debt Service	530,304	-0-	-0-	530,304	385,057	385,057	(145,247)
Business Type Activities	-0-	353,778	0-	353,778	347,532	347,532	(6,246)
Total Disbursements	<u>\$ 3,095,600</u>	<u>\$ 353,778</u>	<u>\$ -0-</u>	<u>\$ 3,449,378</u>	<u>\$ 4,259,467</u>	<u>\$ 4,434,467</u>	<u>\$ 985,089</u>
Excess (Deficiency) of Receipts Over Disbursements	\$ (978,318)	\$ 7,217	\$ -0-	\$ (971,101)	\$ (25,531)	\$ (25,531)	\$ (945,570)
Other Financing Sources – Net	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	\$ (978,318)	\$ 7,217	\$ -0-	\$ (971,101)	\$ 24,469	\$ 24,469	\$ (995,570)
Balances – Beginning of Year	<u>3,282,447</u>	<u>42,189</u>	<u>-0-</u>	<u>3,324,636</u>	<u>3,324,636</u>	<u>3,324,636</u>	<u>-0-</u>
Balances – End of Year	<u>\$ 2,304,129</u>	<u>\$ 49,406</u>	<u>\$ -0-</u>	<u>\$ 2,353,535</u>	<u>\$ 3,349,105</u>	<u>\$ 3,349,105</u>	<u>\$ (995,570)</u>

See accompanying independent auditor's report.

CITY OF ARNOLDS PARK

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING JUNE 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$175,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government, debt service, and business type activities functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Local Option Sales Tax</u>	<u>Capital Projects</u>	<u>Total</u>
Operating Receipts:			
Other City Tax.....	\$ 180,518	\$ -0-	\$ 180,518
Miscellaneous.....	-0-	55,391	55,391
Total Operating Receipts	\$ 180,518	\$ 55,391	\$ 235,909
Operating Disbursements:			
Capital Projects	-0-	1,139,304	1,139,304
Excess (Deficiency) of Operating Receipts Over Operating Disbursements	\$ 180,518	\$ (1,083,913)	\$ (903,395)
Other Financing Sources (Uses):			
Transfers In (Out)	(193,000)	125,028	(67,972)
Net Changes in Cash Balances	\$ (12,482)	\$ (958,885)	\$ (971,367)
Cash Balances – Beginning of Year	15,107	2,859,581	2,874,688
Cash Balances – End of Year	\$ 2,625	\$ 1,900,696	\$ 1,903,321
Cash Basis Fund Balances:			
Unreserved:			
General Fund.....	\$ 2,625	\$ -0-	\$ 2,625
Capital Project Fund.....	-0-	1,900,696	1,900,696
Total Cash Basis Fund Balances	\$ 2,625	\$ 1,900,696	\$ 1,903,321

CITY OF ARNOLDS PARK
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2004

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED	BALANCE BEGINNING OF YEAR	ISSUED DURING YEAR	REDEEMED DURING YEAR	BALANCE END OF YEAR	INTEREST PAID	INTEREST DUE AND UNPAID
General Obligation Capital Loan Notes: Essential Corporate Purpose	3/1/96	3.80-6.80%	\$ 995,000	\$ 114,000	\$ -0-	\$ 21,000	\$ 93,000	\$ 1,611	\$ -0-
General Obligation Capital Notes: Essential Corporate Purpose	4/1/98	4.00-4.70%	\$ 390,000	\$ 245,000	\$ -0-	\$ 35,000	\$ 210,000	\$ 11,060	\$ -0-
General Obligation Capital Notes: Essential Corporate Purpose	8/1/00	4.40-5.50%	\$ 3,000,000	\$ 2,905,000	\$ -0-	\$ 55,000	\$ 2,850,000	\$ 152,555	\$ -0-
General Obligation Bonds: Urban Renewal	5/1/03	1.25-4.30%	\$ 2,300,000	\$ 2,300,000	\$ -0-	\$ 100,000	\$ 2,200,000	\$ 86,369	\$ -0-
General Obligation Capital Notes: Essential Corporate Purpose	3/1/03	1.25-3.45%	\$ 850,000	\$ 850,000	\$ -0-	\$ 70,000	\$ 780,000	\$ 26,772	\$ -0-
Anticipatory Warrants	Varies	Varies		\$ 887,023	\$ 555,794	\$ 1,442,817	\$ -0-	\$ 12,476	\$ -0-

See accompanying independent auditor's report.

CITY OF ARNOLDS PARK
BOND AND NOTE MATURITIES
JUNE 30, 2004

-----GENERAL OBLIGATION NOTES-----

-----**ESSENTIAL**
CORPORATE PURPOSE-----

URBAN
RENEWAL

	ISSUED 2/1/2003		ISSUED 3/1/1996		ISSUED 4/1/1998		ISSUED 8/1/2000		ISSUED 5/1/03		TOTAL
YEAR ENDING JUNE 30	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	AMOUNT
2005	1.55%	\$ 75,000	--	\$ -0-	4.40%	\$ 35,000	5.10%	\$ 100,000	1.50%	\$ 60,000	\$ 270,000
2006	1.90%	75,000	5.20-6.25%	28,000	4.45%	35,000	5.10%	100,000	1.75%	65,000	303,000
2007	2.25%	75,000	5.30-6.30%	65,000	4.50%	35,000	5.10%	100,000	2.00%	80,000	355,000
2008	2.50%	130,000	--	-0-	4.55%	35,000	5.10%	100,000	2.30%	90,000	355,000
2009	2.80%	130,000	--	-0-	4.65%	35,000	5.10%	100,000	2.65%	110,000	375,000
2010	3.05%	135,000	--	-0-	4.70%	35,000	5.10%	150,000	3.00%	75,000	395,000
2011	3.25%	130,000	--	-0-	--	-0-	5.10%	150,000	3.20%	95,000	375,000
2012	3.45%	30,000	--	-0-	--	-0-	5.10%	150,000	3.30%	105,000	285,000
2013	--	-0-	--	-0-	--	-0-	5.15%	200,000	3.40%	80,000	280,000
2014	--	-0-	--	-0-	--	-0-	5.20%	200,000	3.50%	95,000	295,000
2015	--	-0-	--	-0-	--	-0-	5.25%	200,000	3.60%	110,000	310,000
2016	--	-0-	--	-0-	--	-0-	5.30%	250,000	3.75%	75,000	325,000
2017	--	-0-	--	-0-	--	-0-	5.35%	250,000	3.90%	90,000	340,000
2018	--	-0-	--	-0-	--	-0-	5.40%	250,000	4.00%	110,000	360,000
2019	--	-0-	--	-0-	--	-0-	5.50%	275,000	4.05%	100,000	375,000
2020	--	-0-	--	-0-	--	-0-	5.50%	275,000	4.10%	120,000	395,000
2021	--	-0-	--	-0-	--	-0-	--	-0-	4.20%	420,000	420,000
2022	--	-0-	--	-0-	--	-0-	--	-0-	4.30%	320,000	320,000
		<u>\$ 780,000</u>		<u>\$ 93,000</u>		<u>\$ 210,000</u>		<u>\$ 2,850,000</u>		<u>\$ 2,200,000</u>	<u>\$ 6,133,000</u>

See accompanying independent auditor's report.

CITY OF ARNOLDS PARK
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST FOUR YEARS

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Receipts:				
Property Tax.....	\$ 515,415	\$ 494,669	\$ 433,148	\$ 360,227
Tax Increment Financing Collections	574,591	581,769	980,801	833,170
Other City Tax	327,238	325,115	296,556	286,880
Licenses and Permits	7,971	5,877	5,383	15,331
Use of Money and Property	37,587	83,072	138,387	147,257
Intergovernmental.....	134,136	148,153	200,016	143,154
Charges for Services	162,807	152,629	146,855	145,769
Special Assessments	62,830	71,639	33,254	70,356
Miscellaneous.....	<u>294,707</u>	<u>394,214</u>	<u>176,583</u>	<u>409,302</u>
Total	<u>\$ 2,117,282</u>	<u>\$ 2,257,137</u>	<u>\$ 2,410,983</u>	<u>\$ 2,411,446</u>
Disbursements:				
Operating:				
Public Safety	\$ 528,822	\$ 368,883	\$ 404,321	\$ 321,698
Public Works	334,328	368,139	317,597	634,652
Culture and Recreation.....	137,317	97,155	87,437	68,376
Community and Economic Development.....	116,042	96,455	87,712	87,765
General Government.....	309,483	318,508	224,815	251,209
Debt Service.....	530,304	1,520,028	515,107	81,311
Capital Projects	<u>1,139,304</u>	<u>2,373,925</u>	<u>255,979</u>	<u>814,136</u>
Total	<u>\$ 3,095,600</u>	<u>\$ 5,143,093</u>	<u>\$ 1,892,968</u>	<u>\$ 2,259,147</u>

See accompanying independent auditor's report.

CITY OF ARNOLDS PARK

Schedule 5

COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES GENERAL FUND YEAR ENDED JUNE 30, 2004

	OPERATING	SPECIAL ELECTRIC	HOTEL/MOTEL TAX	EQUIPMENT REVOLVING	EMPLOYEE BENEFITS	TOTAL
RECEIPTS:						
Property Tax	\$ 515,415	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 515,415
Other City Tax:						
Hotel-Motel Tax.....	\$ -0-	\$ -0-	\$ 146,720	\$ -0-	\$ -0-	\$ 146,720
Licenses and Permits	\$ 7,971	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 7,971
Use of Money and Property:						
Interest on Investments	\$ 36,615	\$ 972	\$ -0-	\$ -0-	\$ -0-	\$ 37,587
Intergovernmental:						
Beer & Liquor	\$ 11,612	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 11,612
Bank Franchise Tax	8,048	-0-	-0-	-0-	-0-	8,048
Library Grant	17,696	-0-	-0-	-0-	-0-	17,696
	<u>\$ 37,356</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 37,356</u>
Charges for Services:						
Residential Garbage	\$ 53,894	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 53,894
Commercial Garbage	49,052	-0-	-0-	-0-	-0-	49,052
Sales Tax	5,401	-0-	-0-	-0-	-0-	5,401
Garbage Bags	14,003	-0-	-0-	-0-	-0-	14,003
Park Rental	40,457	-0-	-0-	-0-	-0-	40,457
	<u>\$ 162,807</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 162,807</u>
Miscellaneous:						
Cable TV Fee	\$ 11,693	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 11,693
Fines	16,013	-0-	-0-	-0-	-0-	16,013
Miscellaneous	44,860	-0-	-0-	12,429	-0-	57,289
Fire Protection Reimbursement	43,443	-0-	-0-	2,366	-0-	45,809
Board of Adjustment	8,000	-0-	-0-	-0-	-0-	8,000
Franchise Fee	-0-	12,433	-0-	-0-	-0-	12,433
Beautification Donation	17,879	-0-	-0-	-0-	-0-	17,879
Animal Control	200	-0-	-0-	-0-	-0-	200
Reimbursements	-0-	-0-	-0-	70,000	-0-	70,000
	<u>\$ 142,088</u>	<u>\$ 12,433</u>	<u>\$ -0-</u>	<u>\$ 84,795</u>	<u>\$ -0-</u>	<u>\$ 239,316</u>
TOTAL RECEIPTS	<u>\$ 902,252</u>	<u>\$ 13,405</u>	<u>\$ 146,720</u>	<u>\$ 84,795</u>	<u>\$ -0-</u>	<u>\$ 1,147,172</u>

See accompanying independent auditor's report.

CITY OF ARNOLDS PARK
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
(CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	OPERATING	SPECIAL ELECTRIC	HOTEL/MOTEL TAX	EQUIPMENT REVOLVING	EMPLOYEE BENEFITS	TOTAL
DISBURSEMENTS:						
Public Safety:						
Police:						
Personal Services	\$ 233,860	\$ -0-	\$ -0-	\$ -0-	\$ 32,573	\$ 266,433
Commodities	26,610	-0-	-0-	7,774	-0-	34,384
Capital Outlay	1,149	-0-	-0-	3,895	-0-	5,044
	<u>\$ 261,619</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,669</u>	<u>\$ 32,573</u>	<u>\$ 305,861</u>
Fire:						
Personal Services	\$ 21,610	\$ -0-	\$ -0-	\$ -0-	\$ 73	\$ 21,683
Commodities	43,710	-0-	-0-	-0-	-0-	43,710
Capital Outlay	9,343	-0-	-0-	147,000	-0-	156,343
	<u>\$ 74,663</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 147,000</u>	<u>\$ 73</u>	<u>\$ 221,736</u>
Animal Control	<u>\$ 1,225</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,225</u>
	<u>\$ 337,507</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 158,669</u>	<u>\$ 32,646</u>	<u>\$ 528,822</u>
Public Works:						
Street:						
Personal Services	\$ 200	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 200
Commodities	63,664	9	-0-	-0-	-0-	63,673
Capital Outlay	-0-	-0-	-0-	3,959	-0-	3,959
	<u>\$ 63,864</u>	<u>\$ 9</u>	<u>\$ -0-</u>	<u>\$ 3,959</u>	<u>\$ -0-</u>	<u>\$ 67,832</u>
Street Lighting	<u>\$ 33,229</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 33,229</u>
Sanitary Sewer:						
Personal Services	\$ 1,378	\$ -0-	\$ -0-	\$ -0-	\$ 184	\$ 1,562
Commodities	2,857	-0-	-0-	-0-	-0-	2,857
	<u>\$ 4,235</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 184</u>	<u>\$ 4,419</u>
Solid Waste:						
Contractual Services	\$ 128,969	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 128,969
Commodities	661	-0-	-0-	-0-	-0-	661
	<u>\$ 129,630</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 129,630</u>
	<u>\$ 230,958</u>	<u>\$ 9</u>	<u>\$ -0-</u>	<u>\$ 3,959</u>	<u>\$ 184</u>	<u>\$ 235,110</u>

See accompanying independent auditor's report.

CITY OF ARNOLDS PARK
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
(CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	OPERATING	SPECIAL ELECTRIC	HOTEL/MOTEL TAX	EQUIPMENT REVOLVING	EMPLOYEE BENEFITS	TOTAL
DISBURSEMENTS - CONTINUED:						
Culture and Recreation:						
Library:						
Personal Services	\$ 31,049	\$ -0-	\$ -0-	\$ -0-	\$ 3,874	\$ 34,923
Contractual Services	8,350	-0-	-0-	-0-	-0-	8,350
Commodities	16,867	-0-	-0-	-0-	-0-	16,867
	<u>\$ 56,266</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,874</u>	<u>\$ 60,140</u>
Parks and Recreation:						
Personal Services	\$ 17,731	\$ -0-	\$ -0-	\$ -0-	\$ 1,349	\$ 19,080
Contractual Services	36,301	-0-	-0-	-0-	-0-	36,301
Commodities	17,027	-0-	-0-	-0-	-0-	17,027
Capital Outlay	4,769	-0-	-0-	-0-	-0-	4,769
	<u>\$ 75,828</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,349</u>	<u>\$ 77,177</u>
	<u>\$ 132,094</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,223</u>	<u>\$ 137,317</u>
Community and Economic Development:						
Tourism:						
Contractual Services	\$ -0-	\$ -0-	\$ 83,360	\$ -0-	\$ -0-	\$ 83,360
Beautification:						
Commodities	\$ 5,479	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 5,479
Funding Requests	\$ 27,203	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 27,203
	<u>\$ 32,682</u>	<u>\$ -0-</u>	<u>\$ 83,360</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 116,042</u>
General Government:						
Mayor and Council Members:						
Personal Services	\$ 7,871	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 7,871
City Hall:						
Personal Services	\$ 112,456	\$ -0-	\$ -0-	\$ -0-	\$ 15,005	\$ 127,461
Commodities	80,626	-0-	-0-	-0-	-0-	80,626
	<u>\$ 193,082</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 15,005</u>	<u>\$ 208,087</u>
Legal and Professional:						
Contractual Services	\$ 51,750	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 51,750

See accompanying independent auditor's report.

CITY OF ARNOLDS PARK
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
(CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	OPERATING	SPECIAL ELECTRIC	HOTEL/MOTEL TAX	EQUIPMENT REVOLVING	EMPLOYEE BENEFITS	TOTAL
DISBURSEMENTS - CONTINUED:						
Insurance:						
Contractual Services.....	\$ 41,775	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 41,775
	<u>\$ 294,478</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 15,005</u>	<u>\$ 309,483</u>
TOTAL DISBURSEMENTS	<u>\$ 1,027,719</u>	<u>\$ 9</u>	<u>\$ 83,360</u>	<u>\$ 162,628</u>	<u>\$ 53,058</u>	<u>\$ 1,326,774</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ (125,467)	\$ 13,396	\$ 63,360	\$ (77,833)	\$ (53,058)	\$ (179,602)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	<u>93,778</u>	<u>-0-</u>	<u>-0-</u>	<u>35,000</u>	<u>60,000</u>	<u>188,778</u>
NET	\$ (31,689)	\$ 13,396	\$ 63,360	\$ (42,833)	\$ 6,942	\$ 9,176
CASH BALANCE - BEGINNING OF YEAR (DEFICIT)	<u>232,530</u>	<u>83,346</u>	<u>52,389</u>	<u>11,201</u>	<u>(59,980)</u>	<u>319,486</u>
CASH BALANCE - END OF YEAR (DEFICIT)	<u>\$ 200,841</u>	<u>\$ 96,742</u>	<u>\$ 115,749</u>	<u>\$ (31,632)</u>	<u>\$ (53,038)</u>	<u>\$ 328,662</u>
CASH BASIS NET ASSETS:						
Unrestricted.....	<u>\$ 200,841</u>	<u>\$ 96,742</u>	<u>\$ 115,749</u>	<u>\$ (31,632)</u>	<u>\$ (53,038)</u>	<u>\$ 328,662</u>

See accompanying independent auditor's report.

DAVID A. MASKE

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, Iowa

I have audited the financial statements of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2004, and have issued my report thereon dated November 15, 2004. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Arnolds Park's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Arnolds Park's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Arnolds Park's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 04-I-A is a material weakness. Prior year reportable conditions have been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Arnolds Park and other parties whom the City of Arnolds Park may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Arnolds Park during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

DAVID A. MASKE
Certified Public Accountant

November 15, 2004

CITY OF ARNOLDS PARK

SCHEDULE OF FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

PART I - FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

04-I-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response accepted.

PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:

04-II-A Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the public works, community and economic development, general government, debt service, and business type of activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget was amended; however we will monitor more closely in the future.

Conclusion - Response accepted.

04-II-C Questionable Disbursements – I noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

04-II-D Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

04-II-E Business Transactions - There were no business transactions between the City and City officials or employees noted.

04-II-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

04-II-G Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

04-II-H Revenue Notes - The City had no revenue notes outstanding during the year.

04-II-I Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policies.

04-II-J Deficit Balance - At June 30, 2004 the City's Urban Renewal, Tax Increment fund had a deficit balance of \$10,530.

Recommendation - The City should review its options to eliminate this deficit fund balance.

Response - The deficit will be eliminated through the collection of tax revenues in the year ending June 30, 2005.

Conclusion - Response accepted.